

**REPORT OF THE AUDIT OF THE
ANDERSON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2007**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ANDERSON COUNTY FISCAL COURT

June 30, 2007

The Auditor of Public Accounts has completed the audit of the Anderson County Fiscal Court for fiscal year ended June 30, 2007.

We have issued an unqualified opinion on the governmental activities, each major fund, and aggregate remaining fund information of Anderson County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$6,388,928 as of June 30, 2007. The fiscal court had unrestricted net assets of \$1,333,028 in its governmental activities as of June 30, 2007. The fiscal court had total debt principal as of June 30, 2007 of \$2,525,204 with \$296,679 due within the next year.

Report Comments:

- 2007-1 The Fiscal Court Should Pay All Expenditures Within 30 Days In Accordance With KRS 65.140
- 2007-2 The Fiscal Court Should Have A Written Agreement With The Bank To Protect Deposits
- 2007-3 The Fiscal Court Should Not Have Negative Fund Balances

Deposits:

The fiscal courts' deposits were insured and collateralized by bank securities; however, the county did not have a written collateral security agreement with one of their banks.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Steve L. Cornish, Anderson County Judge/Executive

Members of the Anderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Anderson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Anderson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky, as of June 30, 2007, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Steve L. Cornish, Anderson County Judge/Executive

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anderson County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2008 on our consideration of Anderson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2007-1 The Fiscal Court Should Pay All Expenditures Within 30 Days In Accordance With KRS 65.140
- 2007-2 The Fiscal Court Should Have A Written Agreement With The Bank To Protect Deposits
- 2007-3 The Fiscal Court Should Not Have Negative Fund Balances

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

February 12, 2008

ANDERSON COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

Steve L. Cornish	County Judge/Executive
David Ruggles	Magistrate
Hubert Shields	Magistrate
Juretta Wells	Magistrate
Jason Denny	Magistrate
John Wayne Conway	Magistrate
Larry Smith	Magistrate

Other Elected Officials:

Bobbi Jo Lewis	County Attorney
Joani Clark	Jailer
Harold Ritchey	County Clerk
Jan Rogers	Circuit Court Clerk
Troy Young	Sheriff
Beverly Stivers	Property Valuation Administrator
Brian Ritchie	Coroner

Appointed Personnel:

W. Dudley Shryock	County Treasurer
Donna Eckman	Occupational Tax Collector
Renee Evans	Finance Officer
Todd Sparrow	911 Administrator

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ANDERSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

ANDERSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2007

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,333,028
Total Current Assets	<u>1,333,028</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	1,046,901
Buildings	4,212,461
Other Equipment	372,093
Vehicles and Equipment	477,792
Infrastructure Assets - Net of Depreciation	<u>1,471,857</u>
Total Noncurrent Assets	<u>7,581,104</u>
Total Assets	<u>8,914,132</u>
LIABILITIES	
Current Liabilities	
Financing Obligations	<u>296,679</u>
Total Current Liabilities	<u>296,679</u>
Noncurrent Liabilities:	
Financing Obligations	<u>2,228,525</u>
Total Noncurrent Liabilities	<u>2,228,525</u>
Total Liabilities	<u>2,525,204</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	5,055,900
Unrestricted	<u>1,333,028</u>
Total Net Assets	<u>\$ 6,388,928</u>

The accompanying notes are an integral part of the financial statements.

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ANDERSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007

ANDERSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 2,074,420	\$ 141,118	\$ 404,055	\$
Protection to Persons and Property	2,107,012	1,093,242	209,742	
General Health and Sanitation	775,219	184,381	31,337	
Social Services	31,662			
Recreation and Culture	588,409	99,849	74,980	
Roads	611,762		1,213,349	
Interest on Long-Term Debt	255,652		83,130	
Capital Projects	20,171			3,000
Total Governmental Activities	<u>\$ 6,464,307</u>	<u>\$ 1,518,590</u>	<u>\$ 2,016,593</u>	<u>\$ 3,000</u>

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Insurance Premium Taxes

Other Taxes

Excess Fees

Miscellaneous Revenues

Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenue
and Changes in Net Assets

Governmental Activities	
<hr/>	
\$	(1,529,247)
	(804,028)
	(559,501)
	(31,662)
	(413,580)
	601,587
	(172,522)
	(17,171)
<hr/>	
\$	(2,926,124)
<hr/>	
	1,193,656
	65,202
	153,202
	947,443
	432,632
	51,573
	413,251
	19,941
<hr/>	
	3,276,900
<hr/>	
	350,776
	6,038,152
<hr/>	
\$	6,388,928
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The accompanying notes are an integral part of the financial statements.

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ANDERSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

ANDERSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2007

	General Fund	Road Fund	Jail Fund	AEMS Fund	Capital Outlay Fund
ASSETS					
Cash and Cash Equivalents	\$	\$ 97,147	\$	\$	\$ 269,955
Total Assets		97,147			269,955
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Cash Shortage	7,947		7,771	73,856	
Total Liabilities	7,947		7,771	73,856	
FUND BALANCES					
Unreserved:					
General Fund	(7,947)				
Special Revenue Funds		97,147	(7,771)	(73,856)	
Debt Service Fund					
Capital Projects Funds					269,955
Total Fund Balances	\$ (7,947)	97,147	\$ (7,771)	\$ (73,856)	269,955
Total Liabilities and Fund Balances	\$ 0	\$ 97,147	\$ 0	\$ 0	\$ 269,955

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
 BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 JUNE 30, 2007
 (Continued)

E-911 Cellular Fund	Communication Center Fund	Park Fund	Non- Major Funds	Total Governmental Funds
\$ 318,024	\$ 311,688	\$ 210,519	\$ 215,269	\$ 1,422,602
<u>318,024</u>	<u>311,688</u>	<u>210,519</u>	<u>215,269</u>	<u>1,422,602</u>
				89,574
				<u>89,574</u>
				(7,947)
318,024	311,688	210,519	138,070	993,821
			27,344	27,344
			49,855	319,810
<u>318,024</u>	<u>311,688</u>	<u>210,519</u>	<u>215,269</u>	<u>1,333,028</u>
\$ <u>318,024</u>	\$ <u>311,688</u>	\$ <u>210,519</u>	\$ <u>215,269</u>	\$ <u>1,422,602</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,333,028
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	12,144,299
Accumulated Depreciation	(4,563,195)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	<u>(2,525,204)</u>
Net Assets Of Governmental Activities	<u>\$ 6,388,928</u>

The accompanying notes are an integral part of the financial statements.

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ANDERSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

ANDERSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2007

	General Fund	Road Fund	Jail Fund	AEMS Fund	Capital Outlay Fund
REVENUES					
Taxes	\$ 1,659,468	\$	\$	\$	\$ 947,443
Excess Fees	51,573				
Licenses and Permits	110,028				31,090
Intergovernmental	368,081	1,076,610	93,618	10,684	
Charges for Services	184,382		32,003	1,053,578	
Miscellaneous	269,858	22,429		21,184	
Interest	4,723				13,768
Total Revenues	<u>2,648,113</u>	<u>1,099,039</u>	<u>125,621</u>	<u>1,085,446</u>	<u>992,301</u>
EXPENDITURES					
General Government	774,929				3,395
Protection to Persons and Property	160,142		744,447	1,357,057	
General Health and Sanitation	364,350				
Social Services	31,662				
Recreation and Culture					99,994
Roads		867,475			
Debt Service	69,306	41,493		138,850	
Capital Projects		48			
Administration	1,064,630				
Total Expenditures	<u>2,465,019</u>	<u>909,016</u>	<u>744,447</u>	<u>1,495,907</u>	<u>103,389</u>
Excess (Deficiency) of Revenues					
Expenditures Before Other					
Financing Sources (Uses)	<u>183,094</u>	<u>190,023</u>	<u>(618,826)</u>	<u>(410,461)</u>	<u>888,912</u>
Other Financing Sources (Uses)					
Financing Obligation Proceeds	80,280			143,019	
Transfers From Other Funds	235,554		602,632	189,167	
Transfers To Other Funds	(442,752)	(100,000)			(985,638)
Total Other Financing Sources (Uses)	<u>(126,918)</u>	<u>(100,000)</u>	<u>602,632</u>	<u>332,186</u>	<u>(985,638)</u>
Net Change in Fund Balances	56,176	90,023	(16,194)	(78,275)	(96,726)
Fund Balances - Beginning (Restated)	(64,123)	7,124	8,423	4,419	366,681
Fund Balances - Ending	<u>\$ (7,947)</u>	<u>\$ 97,147</u>	<u>\$ (7,771)</u>	<u>\$ (73,856)</u>	<u>\$ 269,955</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2007
(Continued)

E-911 Cellular Fund	Communication Center Fund	Park Fund	Non- Major Funds	Total Governmental Funds
\$	\$	\$	\$ 185,223	\$ 2,792,134
				51,573
				141,118
87,448			474,328	2,110,769
		71,633		1,341,596
		29,427	13,029	355,927
	1,450		2,025	21,966
<u>87,448</u>	<u>1,450</u>	<u>101,060</u>	<u>674,605</u>	<u>6,815,083</u>
			339,658	1,117,982
21,495			152,735	2,435,876
			349,727	714,077
				31,662
		219,143	90,286	409,423
				867,475
	42,237	104,047	79,601	475,534
			20,123	20,171
				1,064,630
<u>21,495</u>	<u>42,237</u>	<u>323,190</u>	<u>1,032,130</u>	<u>7,136,830</u>
<u>65,953</u>	<u>(40,787)</u>	<u>(222,130)</u>	<u>(357,525)</u>	<u>(321,747)</u>
				223,299
62,505	133,553	212,249	228,284	1,663,944
			(135,554)	(1,663,944)
<u>62,505</u>	<u>133,553</u>	<u>212,249</u>	<u>92,730</u>	<u>223,299</u>
128,458	92,766	(9,881)	(264,795)	(98,448)
189,566	218,922	220,400	480,064	1,431,476
<u>\$ 318,024</u>	<u>\$ 311,688</u>	<u>\$ 210,519</u>	<u>\$ 215,269</u>	<u>\$ 1,333,028</u>

The accompanying notes are an integral part of the financial statements.

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**ANDERSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2007

**ANDERSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2007

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (98,448)
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	856,192
Depreciation Expense	(403,551)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while financing obligations payments are expensed in the Governmental Funds. These transactions, however, have no effect on net assets.

Financing Obligation Proceeds	(223,299)
Financing Obligations Principal Payments	<u>219,882</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 350,776</u></u>
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TO THE FINANCIAL STATEMENTS**

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ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Anderson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service.

C. Anderson County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Anderson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Anderson County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1, following the assessment, and subject to lien and sale February 1, following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

AEMS Fund - The primary purpose of this fund is to account for the emergency medical response system of the county. The primary sources of revenue for this fund are AEMS Collections, borrowed funds, and transfers from the Capital Outlay Fund.

Park Fund – The primary purpose of this fund is to account for park department revenues and disbursements. The Park Fund is basically financed with insurance premium tax receipts. Other sources of revenue include facility rental, vending commissions, concession sales, and city contributions.

Capital Outlay Fund - The primary purpose of this fund is to help maintain other funds. The primary sources of revenue are insurance premium tax. The majority of the fund's money is transferred to other funds to operate their budgets.

Emergency 911 Cellular Fund - The purpose of this fund is to account for wireless 911 cellular revenues and disbursements. The sole source of revenue for this fund is E-911 cellular receipts.

Communication Center Fund - The primary purpose of this fund is to account for dispatch revenue received within the county. The fund's primary source of revenue is dispatch revenue.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Court Fine Courthouse Repair Fund, Emergency 911 Fund, CDBG Fund, Park Land Acquisition Fund, and AOC Escrow Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, AEMS Fund, Communication Center Fund, Emergency 911 Cellular Fund, LGEA Fund, Park Fund, Court Fine Courthouse Repair Fund, CDBG Fund and the Emergency 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Funds:

Capital Projects Funds account for financial resources to be used acquisition of major capital facilities. The Capital Outlay Fund and the Park Land Acquisition Fund are reported as Capital Project Funds.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Debt Service Fund:

Debt Service Fund accounts for the accumulation of resources for the payment of long-term principal and interest and includes funds for the AOC Escrow Fund. This fund was established to hold money deposited by the Administrative Office of the Courts (AOC) to provide for their portion of the debt service obligation for the courthouse renovation as agreed upon in a sublease agreement with the county. AOC deposits the biannual required amount, then the trustee makes the debt service payment directly to Kentucky Association of Counties Leasing Trust (KACOLT). The county pays KACOLT for the remainder of the debt service requirement out of the General Fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 10,000	40
Buildings and Building Improvements	\$ 25,000	40
Machinery and Equipment	\$ 10,000	10
Vehicles	\$ 10,000	10
Infrastructure	\$ 20,000	10

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-Term Obligations

In the government-wide financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County did not have a written security agreement with one of the banks, securing the County's interest in the collateral pledged.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2007 sufficient collateral was pledged; however, one of the banks did not have a written agreement with Fiscal Court, securing the County's interest in the collateral.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,046,901	\$	\$	\$ 1,046,901
Total Capital Assets Not Being Depreciated	1,046,901			1,046,901
Capital Assets, Being Depreciated:				
Buildings	7,376,633	174,151		7,550,784
Other Equipment	344,276	208,867		553,143
Vehicles and Equipment	965,797	181,587		1,147,384
Infrastructure	1,554,500	291,587		1,846,087
Total Capital Assets Being Depreciated	10,241,206	856,192		11,097,398
Less Accumulated Depreciation For:				
Buildings	(3,226,955)	(111,368)		(3,338,323)
Other Equipment	(129,426)	(51,624)		(181,050)
Vehicles and Equipment	(582,874)	(86,718)		(669,592)
Infrastructure	(220,389)	(153,841)		(374,230)
Total Accumulated Depreciation	(4,159,644)	(403,551)		(4,563,195)
Total Capital Assets, Being Depreciated, Net	6,081,562	452,641		6,534,203
Governmental Activities Capital Assets, Net	\$ 7,128,463	\$ 452,641	\$ 0	\$ 7,581,104

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 80,084
Protection to Persons and Property	3,838
General Health and Sanitation	91,443
Recreation and Culture	192,312
Roads, Including Depreciation of General Infrastructure Assets	<u>35,874</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 403,551</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt

A. Courthouse Annex

Anderson County entered into a \$1,448,000 lease agreement on June 24, 1997, with the Kentucky Association of Counties Leasing Trust for the construction of a courthouse annex. The agreement requires monthly interest payments and an annual principal payment due each January 20. The following schedule indicates principal and interest payments according to the original lease agreement. The outstanding principal balance was \$968,000 as of June 30, 2007. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 77,000	\$ 46,796
2009	81,000	42,863
2010	85,000	38,729
2011	89,000	34,396
2012	94,000	29,842
2013-2017	542,000	72,658
Totals	<u>\$ 968,000</u>	<u>\$ 265,284</u>

B. Anderson County Park Project

Anderson County entered into a \$950,000 lease agreement on June 18, 2001, with the Kentucky Association of Counties Leasing Trust for the completion of the Anderson County Park project. The agreement requires monthly interest payments and an annual principal payment due each January 20. The effective interest rate is 4.38%, and the agreement is to be paid in full by January 20, 2021. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$745,000 as of June 30, 2007. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 40,000	\$ 34,232
2009	40,000	32,352
2010	45,000	30,374
2011	45,000	28,259
2012	45,000	26,144
2013-2017	270,000	95,053
2018-2021	260,000	26,163
Totals	<u>\$ 745,000</u>	<u>\$ 272,577</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

C. Park Land

Anderson County entered into a \$499,000 lease agreement on January 9, 2004, with the Kentucky Association of Counties Leasing Trust to purchase park land. The agreement requires monthly principal and interest payments. The effective interest rate is 2.25%, and the agreement is to be paid in full by January 20, 2024. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$433,542 as of June 30, 2007. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 20,467	\$ 9,541
2009	21,092	9,042
2010	21,737	8,579
2011	22,402	8,084
2012	23,085	7,588
2013-2017	126,443	29,647
2018-2022	146,972	14,364
2023-2024	51,344	970
Totals	<u>\$ 433,542</u>	<u>\$ 87,815</u>

D. Road Equipment

Anderson County entered into a \$164,981 lease agreement on January 22, 2004, with the Kentucky Association of Counties Leasing Trust to purchase road equipment. The agreement requires monthly principal and interest payments. The effective interest rate is 2.18%, and the agreement is to be paid in full by February 20, 2009. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$57,774 as of June 30, 2007. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 34,316	\$ 2,161
2009	23,458	477
Totals	<u>\$ 57,774</u>	<u>\$ 2,638</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

E. Ambulances

Anderson County entered into a \$150,000 lease agreement on September 30, 2005, with the Kentucky Association of Counties Leasing Trust to purchase two ambulances. The agreement requires monthly interest payments and an annual principal payment. The effective interest rate is 3.524%, and the agreement is to be paid in full July 20, 2008. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$100,000 as of June 30, 2007. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 50,000	\$ 1,912
2009	50,000	150
Totals	<u>\$ 100,000</u>	<u>\$ 2,062</u>

F. Heart Monitors

Anderson County entered into a \$143,019 lease agreement on November 28, 2006, with the Kentucky Association of Counties Leasing Trust to purchase heart monitors. The agreement requires monthly interest payments and an annual principal payment. The effective interest rate is 3.54%, and the agreement is to be paid in full July 20, 2010. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$143,019 as of June 30, 2007. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 35,000	\$ 4,953
2009	35,000	3,540
2010	35,000	2,020
2011	<u>38,019</u>	<u>160</u>
Totals	<u>\$ 143,019</u>	<u>\$ 10,673</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

G. Sheriff Vehicles

Anderson County entered into a \$49,979 lease agreement on January 26, 2007, with the Kentucky Association of Counties Leasing Trust to purchase two Sheriff cruisers. The agreement requires monthly interest payments and an annual principal payment. The effective interest rate is 4.25%, and the agreement is to be paid in full January 20, 2009. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$49,979 as of June 30, 2007. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 25,000	\$ 1,714
2009	24,979	634
Totals	<u>\$ 49,979</u>	<u>\$ 2,348</u>

H. Solid Waste/Animal Shelter Vehicles

Anderson County entered into a \$30,301 lease agreement on April 11, 2007, with the Kentucky Association of Counties Leasing Trust to purchase vehicles for Solid Waste and Animal Shelter. The agreement requires monthly principal and interest payments. The effective interest rate is 3.72%, and the agreement is to be paid in full April 20, 2009. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$27,890 as of June 30, 2007. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 14,896	\$ 786
2009	12,994	223
Totals	<u>\$ 27,890</u>	<u>\$ 1,009</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Long-term Debt (Continued)

I. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	\$ 2,521,787	\$ 223,299	\$ 219,882	\$ 2,525,204	\$ 296,679
Governmental Activities					
Long-term Liabilities	\$ 2,521,787	\$ 223,299	\$ 219,882	\$ 2,525,204	\$ 296,679

Note 5. Employee Retirement System

The fiscal court elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent. These actuarially determined rates are established and amended by the Board of Trustees of the system and were equal to the required contribution for the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 6. Deferred Compensation

On February 24, 2000, the Anderson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 6. Deferred Compensation (Continued)

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Insurance

For the fiscal year ended June 30, 2007, Anderson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Prior Period Adjustment

The beginning balance for Governmental Activities and the General Fund were increased by \$1,576 to account for voided checks from the prior period.

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ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,483,500	\$ 1,651,807	\$ 1,659,468	\$ 7,661
Excess Fees		48,279	51,573	3,294
Licenses and Permits	105,000	105,000	110,028	5,028
Intergovernmental Revenue	213,195	353,880	368,081	14,201
Charges for Services	161,000	161,000	184,382	23,382
Miscellaneous	227,542	248,249	269,858	21,609
Interest	4,670	4,670	4,723	53
Total Revenues	<u>2,194,907</u>	<u>2,572,885</u>	<u>2,648,113</u>	<u>75,228</u>
EXPENDITURES				
General Government	807,085	796,893	774,929	21,964
Protection to Persons and Property	114,016	143,542	110,163	33,379
General Health and Sanitation	199,959	375,189	364,350	10,839
Social Services	41,625	41,625	31,662	9,963
Debt Service	47,000	69,308	69,306	2
Administration	931,200	1,191,806	1,064,630	127,176
Total Expenditures	<u>2,140,885</u>	<u>2,618,363</u>	<u>2,415,040</u>	<u>203,323</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>54,022</u>	<u>(45,478)</u>	<u>233,073</u>	<u>278,551</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds			30,301	30,301
Transfers From Other Funds		99,500	235,554	136,054
Transfers To Other Funds	<u>(334,592)</u>	<u>(334,592)</u>	<u>(442,752)</u>	<u>(108,160)</u>
Total Other Financing Sources (Uses)	<u>(334,592)</u>	<u>(235,092)</u>	<u>(176,897)</u>	<u>58,195</u>
Net Changes in Fund Balance	(280,570)	(280,570)	56,176	336,746
Fund Balance - Beginning (Restated)	<u>280,570</u>	<u>280,570</u>	<u>(64,123)</u>	<u>(344,693)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (7,947)</u>	<u>\$ (7,947)</u>

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 768,290	\$ 1,078,210	\$ 1,076,610	\$ (1,600)
Miscellaneous	20,000	20,000	22,429	2,429
Interest	790	790		(790)
Total Revenues	<u>789,080</u>	<u>1,099,000</u>	<u>1,099,039</u>	<u>39</u>
EXPENDITURES				
Roads	712,438	1,065,758	867,475	198,283
Debt Service	70,000	41,500	41,493	7
Capital Projects	15,000	100	48	52
Total Expenditures	<u>797,438</u>	<u>1,107,358</u>	<u>909,016</u>	<u>198,342</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(8,358)</u>	<u>(8,358)</u>	<u>190,023</u>	<u>198,381</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	8,358	8,358		(8,358)
Transfers To Other Funds			(100,000)	(100,000)
Total Other Financing Sources (Uses)	<u></u>	<u></u>	<u>(100,000)</u>	<u>(108,358)</u>
Net Changes in Fund Balance			90,023	90,023
Fund Balance - Beginning			<u>7,124</u>	<u>7,124</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 97,147</u>	<u>\$ 97,147</u>

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 66,000	\$ 108,212	\$ 93,618	\$ (14,594)
Charges For Services	13,250	32,253	32,003	(250)
Total Revenues	79,250	140,465	125,621	(14,844)
EXPENDITURES				
Protection to Persons and Property	682,602	743,817	744,447	(630)
Total Expenditures	682,602	743,817	744,447	(630)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(603,352)	(603,352)	(618,826)	(15,474)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	603,352	603,352	602,632	(720)
Total Other Financing Sources (Uses)	603,352	603,352	602,632	(720)
Net Changes in Fund Balance			(16,194)	(16,194)
Fund Balance - Beginning			8,423	8,423
Fund Balance - Ending	\$ 0	\$ 0	\$ (7,771)	\$ (7,771)

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	AEMS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 10,000	\$ 10,000	\$ 10,684	\$ 684
Charges for Services	950,000	950,000	1,053,578	103,578
Miscellaneous	32,000	32,000	21,184	(10,816)
Total Revenues	992,000	992,000	1,085,446	93,446
EXPENDITURES				
General Government				
Protection to Persons and Property	1,229,823	1,281,178	1,214,038	67,140
Debt Service	154,000	102,645	138,850	(36,205)
Total Expenditures	1,383,823	1,383,823	1,352,888	30,935
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(391,823)	(391,823)	(267,442)	124,381
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds	150,000	150,000		(150,000)
Transfers From Other Funds	241,823	241,823	189,167	(52,656)
Total Other Financing Sources (Uses)	391,823	391,823	189,167	(202,656)
Net Changes in Fund Balance			(78,275)	(78,275)
Fund Balance - Beginning			4,419	4,419
Fund Balance - Ending	\$ 0	\$ 0	\$ (73,856)	\$ (73,856)

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

E-911 CELLULAR FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 25,300	\$ 25,300	\$ 87,448	\$ 62,148
Total Revenues	25,300	25,300	87,448	62,148
EXPENDITURES				
Protection to Persons and Property	25,300	25,300	21,495	3,805
Total Expenditures	25,300	25,300	21,495	3,805
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)			65,953	65,953
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			62,505	62,505
Total Other Financing Sources (Uses)			62,505	62,505
Net Changes in Fund Balances			128,458	128,458
Fund Balances - Beginning			189,566	189,566
Fund Balances - Ending	\$ 0	\$ 0	\$ 318,024	\$ 318,024

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

COMMUNICATION CENTER FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest	\$	\$	\$ 1,450	\$ 1,450
Total Revenues			1,450	1,450
EXPENDITURES				
Protection to Persons and Property	1,200	1,200		1,200
Debt Service	175,000	175,000	42,237	132,763
Total Expenditures	176,200	176,200	42,237	133,963
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(176,200)	(176,200)	(40,787)	135,413
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			133,553	133,553
Total Other Financing Sources (Uses)			133,553	133,553
Net Changes in Fund Balances	(176,200)	(176,200)	92,766	268,966
Fund Balances - Beginning	176,200	176,200	218,922	42,722
Fund Balances - Ending	\$ 0	\$ 0	\$ 311,688	\$ 311,688

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2007
(Continued)

	PARK FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	60,000	60,000	71,633	11,633
Miscellaneous	14,150	14,150	29,427	15,277
Total Revenues	74,150	74,150	101,060	26,910
EXPENDITURES				
Recreation and Culture	227,859	326,271	219,143	107,128
Debt Service	167,986	176,196	104,047	72,149
Total Expenditures	395,845	502,467	323,190	179,277
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(321,695)	(428,317)	(222,130)	206,187
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	321,695	428,317	212,249	(216,068)
Total Other Financing Sources (Uses)	321,695	428,317	212,249	(216,068)
Net Changes in Fund Balance			(9,881)	(9,881)
Fund Balance - Beginning			220,400	220,400
Fund Balance - Ending	\$ 0	\$ 0	\$ 210,519	\$ 210,519

ANDERSON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2007

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance-Modified Cash Basis* differs from the *Budgetary Comparison Schedule* for the General Fund in protection to persons and property by \$49,979 due to purchase of capital asset by financing obligation. The General Fund in Other financing sources and (uses) and ending fund balance differ by \$49,979 due to proceeds of a financing obligation.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance-Modified Cash Basis* differs from the *Budgetary Comparison Schedule* for the AEMS Fund in protection to persons and property by \$143,019 due to purchase of capital asset by financing obligation. The AEMS Fund in Other financing sources and (uses) differs by \$143,019 due to proceeds of a financing obligation.

**ANDERSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2007

**ANDERSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2007

	<u>LGEA Fund</u>	<u>Emergency 911 Fund</u>	<u>Court Fine Courthouse Repair Fund</u>	<u>CDBG Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 49,028	\$ 59,068	\$ 17,204	\$ 12,770
Total Assets	<u>49,028</u>	<u>59,068</u>	<u>17,204</u>	<u>12,770</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	49,028	59,068	17,204	12,770
Debt Service Fund				
Capital Projects Fund				
Total Fund Balances	<u>\$ 49,028</u>	<u>\$ 59,068</u>	<u>\$ 17,204</u>	<u>\$ 12,770</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2007
(Continued)

Park Land Acquisition Fund	AOC Escrow Fund	Total Non-Major Governmental Funds
<u>\$ 49,855</u>	<u>\$ 27,344</u>	<u>\$ 215,269</u>
<u>49,855</u>	<u>27,344</u>	<u>215,269</u>
		138,070
	27,344	27,344
<u>49,855</u>		<u>49,855</u>
<u>\$ 49,855</u>	<u>\$ 27,344</u>	<u>\$ 215,269</u>

The accompanying notes are an integral part of the financial statements.

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ANDERSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

ANDERSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2007

	LGEA Fund	Emergency 911 Fund	Court Fine Courthouse Repair Fund	CDBG Fund
REVENUES				
Taxes	\$ 114,310	\$ 185,223	\$ 88,433	\$ 115,500
Intergovernmental				
Miscellaneous				
Interest				
Total Revenues	<u>114,310</u>	<u>185,223</u>	<u>88,433</u>	<u>115,500</u>
EXPENDITURES				
General Government			339,658	
Protection to Persons and Property	2,789	149,946		
General Health and Sanitation				349,727
Recreation and Culture	4,500			
Debt Service				
Capital Projects				20,123
Total Expenditures	<u>7,289</u>	<u>149,946</u>	<u>339,658</u>	<u>369,850</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>107,021</u>	<u>35,277</u>	<u>(251,225)</u>	<u>(254,350)</u>
Other Financing Sources (Uses)				
Transfers To Other Funds	(60,554)	(75,000)		
Transfers From Other Funds			209,736	11,137
Total Other Financing Sources (Uses)	<u>(60,554)</u>	<u>(75,000)</u>	<u>209,736</u>	<u>11,137</u>
Net Change in Fund Balances	46,467	(39,723)	(41,489)	(243,213)
Fund Balances - Beginning	2,561	98,791	58,693	255,983
Fund Balances - Ending	<u>\$ 49,028</u>	<u>\$ 59,068</u>	<u>\$ 17,204</u>	<u>\$ 12,770</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2007
(Continued)

Park Land Acquisition Fund	AOC Escrow Fund	Total Non-Major Governmental Funds
\$	\$	\$
74,980	81,105	185,223
13,029		474,328
	2,025	13,029
		2,025
<u>88,009</u>	<u>83,130</u>	<u>674,605</u>
		339,658
		152,735
		349,727
85,786		90,286
	79,601	79,601
		20,123
<u>85,786</u>	<u>79,601</u>	<u>1,032,130</u>
<u>2,223</u>	<u>3,529</u>	<u>(357,525)</u>
		(135,554)
7,411		228,284
<u>7,411</u>		<u>92,730</u>
9,634	3,529	(264,795)
40,221	23,815	480,064
<u>\$ 49,855</u>	<u>\$ 27,344</u>	<u>\$ 215,269</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve L. Cornish, Anderson County Judge/Executive
Members of the Anderson County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 12, 2008. Anderson County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anderson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Anderson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Anderson County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Anderson County's financial statements for the year ended June 30, 2007, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations: 2007-1, 2007-2, and 2007-3.

Anderson County's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit their responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Anderson County Fiscal Court and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

February 12, 2008

**ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS**

For Fiscal Year Ended June 30, 2007

**ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS**

For Fiscal Year Ended June 30, 2007

STATE LAWS AND REGULATIONS

2007-1 The Fiscal Court Should Pay All Expenditures Within 30 Days In Accordance With KRS 65.140

Per KRS 65.140, unless the purchaser and vendor otherwise contract, all bills for goods and services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor. During testing of expenditures, there were two (2) instances in which an invoice was not paid within the thirty days as required by KRS 65.140. By not paying invoices within thirty (30) days, the County is subject to additional costs in the form of penalties and/or interest. We recommend that the County date stamp all invoices when received and ensure that all invoices are paid within 30 days as required by KRS 65.140.

County Judge/Executive's Response: Agreed.

2007-2 The Fiscal Court Should Have A Written Agreement The Bank To Protect Deposits

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. As of June 30, 2007, the County had bank deposits of \$702,761 at one of their banks; FDIC insurance of \$100,000; and collateral pledged or provided of \$1,081,315. Even though Fiscal Court obtained sufficient collateral, there was no written agreement between Fiscal Court and the depository institution, signed by both parties, securing the County's interest in the collateral. We recommend Fiscal Court enter into a written agreement with the depository institution to secure the County's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee and, (c) an official record of the depository institution.

County Judge/Executive's Response: Agreed. Collateral was pledged only the agreement was absent. We have the signed agreement at present and will continually watch for this item.

**ANDERSON COUNTY
COMMENTS AND RECOMMENDATIONS
For Fiscal Year Ended June 30, 2007
(Continued)**

STATE LAWS AND REGULATIONS (Continued)

2007-3 The Fiscal Court Should Not Have Negative Fund Balances

The audited financial statements for the Anderson County Fiscal Court show a \$7,947 negative cash and corresponding fund balance in the General Fund, a \$7,771 negative cash and corresponding fund balance in the Jail Fund, and a \$73,856 negative cash and corresponding fund balance in the AEMS Fund. KRS 68.110 states that a Fiscal Court shall not have expenditures in excess of revenue. The county's final quarterly report for the fiscal year showed a General Fund balance of \$69,343, a Jail Fund balance of \$0, and an AEMS Fund balance of \$0. During the audit, several adjustments were made to the financial statements for receipts posted to the wrong funds and for transfers between funds that were not recorded properly. The lack of adequate recordkeeping and inaccurate quarterly reports contributed to the negative fund balance. We recommend the county keep accurate records and properly prepare the quarterly reports to assure cash and corresponding fund balances remain positive to comply with this statute.

County Judge/Executive's Response: We will comply.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

ANDERSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2007**

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

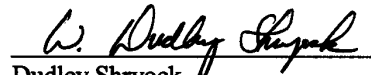
ANDERSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2007**

The Anderson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Fund was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.



Steve L. Cornish
Judge Executive



Dudley Shryock
County Treasurer

